

STATE OF LOUISIANA LEGISLATIVE AUDITOR

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Office of Student Financial Assistance
Department of Education
State of Louisiana
Baton Rouge, Louisiana

February 3, 1999



Financial and Compliance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**OFFICE OF STUDENT FINANCIAL ASSISTANCE
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Management Letter
Dated January 14, 1999**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

February 3, 1999



DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

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January 14, 1999

**LOUISIANA STUDENT FINANCIAL
ASSISTANCE COMMISSION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA
Baton Rouge, Louisiana**

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 1998, we conducted certain procedures at the Office of Student Financial Assistance. Our procedures included (1) a review of the office's internal controls; (2) tests of financial transactions; and (3) tests of adherence to applicable laws, regulations, policies, and procedures governing financial activities.

The June 30, 1998, Annual Fiscal Report of the Office of Student Financial Assistance was not audited or reviewed by us, and, accordingly, we do not express an opinion or any other form of assurance on that report. The office's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses an opinion.

Our procedures included interviews with management personnel and other selected office personnel. We also evaluated selected documents, files, reports, systems, procedures, and policies as we considered necessary. After analyzing the data, we developed a recommendation for improvement. We then discussed our finding and recommendation with appropriate management personnel before submitting this written report.

Based on the application of the procedures referred to previously, all significant findings are included in this report for management's consideration.

Failure to Maintain Current Records

The Office of Student Financial Assistance (OSFA) has not maintained current records for its student loan database for the Federal Family Education Loans (CFDA 84.032, FFEL) program. The Code of Federal Regulations, 34 CFR 682.414, requires that FFEL guaranty agencies maintain current, complete records for each loan they hold. The records must be maintained in a system that allows ready identification of each loan's current status, updated at least once every 10 business days.

LEGISLATIVE AUDITOR

LOUISIANA STUDENT FINANCIAL
ASSISTANCE COMMISSION
DEPARTMENT OF EDUCATION
STATE OF LOUISIANA

Management Letter, Dated January 14, 1999

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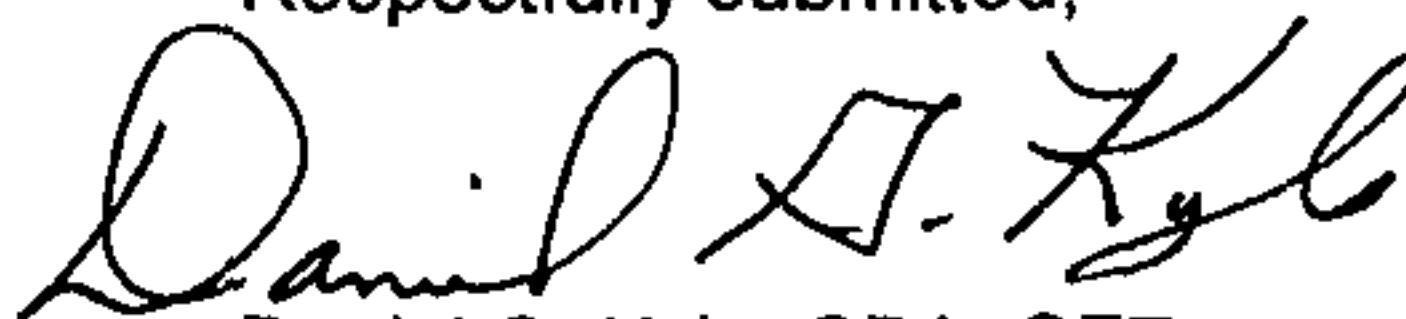
Our audit of 20 student loan disbursements that were made by lenders during the fiscal year ended June 30, 1998, disclosed that OSFA had not updated student loan records timely. OSFA updated three student loan records for the disbursements on the 13th business day, 16th business day, and the 25th business day, which represents a 15% rate of noncompliance.

OSFA has not ensured that student loan records have been processed timely as required in the CFR, resulting in noncompliance. OSFA should establish controls to ensure that agency records are updated within the 10 business days prescribed in the CFR. Management concurred with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 1).

The recommendation in this report represents, in our judgment, that most likely to bring about beneficial improvement to the operations of the office. The nature of the recommendation, its implementation costs, and the potential impact on operations of the office should be considered in reaching decisions on courses of action. The finding relates to the office's compliance with applicable laws and regulations and should be addressed immediately by management.

This report is intended for the information and use of the office and its management. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

CGEW:DLH:PEP:ss

[OSFA]

Appendix A

Management's Corrective Action Plan and Response to the Finding and Recommendation



STATE OF LOUISIANA
OFFICE OF STUDENT FINANCIAL ASSISTANCE
P.O. BOX 91202 • BATON ROUGE, LA 70821-9202



M.J. "MIKE" FOSTER, JR.
GOVERNOR

October 22, 1998
98-409

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Dr. Daniel G. Kyle, CPA, CPE
Office of Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Failure to Maintain Current Records

Dear Dr. Kyle:

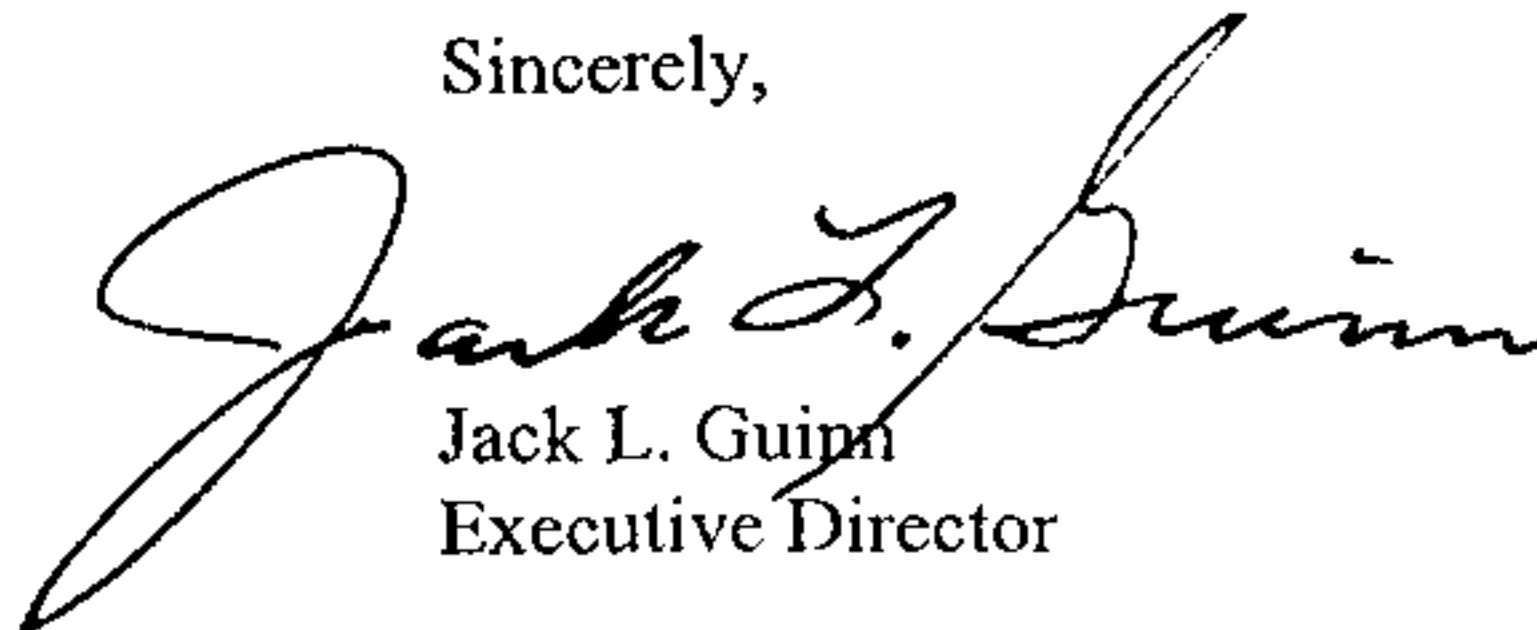
This agency concurs with the finding that it has not recorded all loan disbursements to students' records within 10 days of receiving the lenders' notices of loan disbursement.

The contact person responsible for implementing corrective actions is Ms. Pat Shannon, Director, Loan Division. The corrective action plan includes the following:

- a. An evaluation of whether human resources are adequate to maintain compliance has been performed and indicates that as long as all positions remain fully staffed and augmentation is available during the peak of the loan processing cycle, records can be updated within the time limitations imposed by regulations. To offset the impact of personnel turnover and absences due to sick and annual leave and to provide seasonal staff augmentation, the agency will seek authorization for temporary "while actually employed" (WAE) workers.
- b. Upon receipt of transactional documents from external sources, the responsible section shall identify those for which system input is time sensitive and prioritize them for manual input accordingly.
- c. The agency shall increase the number of lenders and/or contractors using the automated fee billing function provided by the agency's operating system which would reduce the demand for manual entry of loan disbursements to individual student records.

The anticipated completion date of all corrective actions is December 1, 1998

Sincerely,



Jack L. Guinn
Executive Director

JLG/csm